

Internal Revenue Service

Department of the Treasury

District
Director

Date:

APR 18 1966

Employer Identification Number:

Person to Contact:

Contact Telephone Number:

CERTIFIED MAIL

Dear Gentlemen:

We have considered your application for tax exemption status under section 501(c)(4) of the Internal Revenue Code.

The evidence presented discloses that you were organized as a corporation under the provisions of General Laws, Chapter [REDACTED] of [REDACTED].

The purposes for which the corporation is formed is as follows:

1. Hold education meetings open to members.
2. Publish newsletter for members.
3. Establish and maintain library of software contributed by members of which copies are available to all members.
4. Organize informal subgroups of membership which share common interest in order to facilitate exchange of information.
5. Organize regional subgroups for purpose of exchange of information on a regional basis.

Article II of your Bylaws states that the organization has the following purposes:

Advance the effective utilization of computers, computer peripheral equipment and software manufactured and marketed by [REDACTED] by promoting the interchange of information concerning their uses.

Advance the art of computation through mutual education and exchange of ideas and information.

Establish standards and provide channels to facilitate the exchange of computer programs among [REDACTED] members.

Provide feedback to the computer industry on equipment, software and other needs which may arise.

Article III of your Bylaws outlines the following classes of membership of your organization.

Member: A company, organization, institution or individual which own, leases or has on firm order, a computer manufactured by [REDACTED], may be admitted as a Member. The definition of "a computer" as used herein will be determined, from time to time, by the [REDACTED] Executive Committee to reflect changes in technology and [REDACTED] products.

Associate Member: A person with a bona fide interest in the activities of [REDACTED] may be admitted as an Associate Member to [REDACTED].

Delegate Member: One person who is a member and represents one computer installation, thus representing one vote. Number of Delegate Members per company or institution is to be determined by [REDACTED] executive committee.

Article X of your Bylaws states in part:

[REDACTED] Shall operate as a not for profit organization. It shall be financed by grants from [REDACTED] and its subsidiaries, as well as from income resulting from membership dues and other user group functions.

The Treasurer shall prepare an annual budget and a support agreement reflecting the terms and conditions of [REDACTED] financial support, and present this budget and support agreement for approval to both the Executive Committee and [REDACTED] Representative.

Section 501(c)(4) of the Code provides for exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

In Commissioner v. Lake Forest, Inc. 305 F. 2d 814 (4th Cir. 1962) it was stated that in order for an organization to qualify for tax exemption under 501(c)(4) of the code as a civic league or social welfare organization it should offer a service or program for the direct betterment or improvement of the community as a whole and its benefits should be municipal or public in their nature. Inherent in the concept of social welfare is benefitting the community as a whole rather than benefitting a private group of individuals.

In Erie Endowment v. United States, 316 F. 2d 151(1963) it further states that the organization must be a community movement designed to accomplish community ends.

The point is made in People's Educational Camp Society, Inc. v. Commissioner, 331 F. 2d 923(1964) that it is only fair to determine a particular organization's right to an exemption largely on the basis of the effect its operations have on the public.

In Revenue Ruling 54-394 1954-2 C.B. 131 a community television antenna organization which operated to provide television reception for its members was held not to qualify for exemption under section 501(c)(4) of the Code. It was stated that such an organization was operated for the benefit of its members rather than for the welfare of mankind.

In Revenue Ruling 73-349, 1973-2 C.B. 179 an organization formed to purchase groceries for its membership at the lowest possible prices was held not exempt as a social welfare organization under section 501(c)(4) of the Code. The rationale was that the organization was not primarily engaged in promoting in some way the common good and general welfare of the people of the community and it was not operated to bring about civic betterments and social improvements.

In Revenue Ruling 66-360, 1966-2 C.B. 228 an organization was denied exemption under 501(c)(4) of the Code because it served the financial interests of a business corporation. In this case the business corporation provided all the supplies and general management, clerical, and administrative services required by the organization. The organization's constitution gave the business broad powers in the operations of the organization.

In a similar manner by advancing the effective utilization of computers and related merchandise by a business corporation, [REDACTED], and by promoting the interchange of information concerning their uses you are directly serving the commercial ends of a business manufacturer.

The application and your Bylaws indicates that your organization receives financial support from [REDACTED] and its subsidiaries. Your Bylaws indicates that the annual budget prepared by your treasurer reflects the terms and conditions of [REDACTED]'s financial support and a representative of [REDACTED] passes approval of the budget. Thus [REDACTED] plays a major role in the operations of your organization.

As your organization is primarily engaged in activities for the benefit of a private group of individuals who use a specific commercial product and thereby also further the financial interests of the manufacturer, instead of being primarily engaged in activities for the direct betterment or improvement of the community as a whole it is held that you do not qualify for tax exempt status under section 501(c)(4) of the Code or any code section. Nor, do you qualify under any other paragraph of section 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

[REDACTED]
District Director

Enclosure: Publication 892